

# Cheap Sugar Improbable for the Next Ten Years at Least

West Indies and Far East Now the Real Profiters, With Whole World Bidding Frantically for Supply. All Too Small

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THE cry of "Profiteer! Profiteer!" is thundering through the whole length and width of these United States, and the chief cost of all is the much abused, much misjudged American grocer—especially when he charges 24 cents a pound for sugar. The public simply has decided not to believe any explanation whatever; to continue crying about "abuses and gouging by crooked profiteers," and to close its eyes resolutely to any suggestions which might in some slight manner alleviate the present somewhat onerous conditions.

Perhaps the facts presented in this article may assist wholesale and retail grocers throughout the country in convincing their customers that the true profiteering at this time is going on in the islands of the West Indies and the Far East, where sugar planters reap fantastic profits from their plantations.

The grocer who sells sugar at 25 cents a pound during the month of July of this year (this article being written in the latter part of May) will have to figure very closely in order to come out on the right side of the ledger. According to present indications raw sugar will sell for 22 cents a pound by the middle of June, and it does not seem possible for any retail dealer to sell refined granulated sugar for 25 cents. It is far more likely that the price will be 28-30 cents. (In this connection it may be of interest to the reader to know that the writer of this article predicted 25-30 cents for the latter part of this summer as long ago as last October.) It is absolutely necessary to explain conditions in a more businesslike way to the public than has been done heretofore and the cheap politics played by some officials in various departments and by the diverse newspapers supporting opposing Presidential candidates should be abandoned as soon as possible for a more rational discussion of the actual conditions and the underlying causes of the peculiar sugar problems facing the American sugar refiner, jobber and dealer.

## What Happened in 1919.

Let us go back a year and see what happened in the late summer of 1919 and what might have happened. We have been told that the United States Equalization Board could have purchased the greater part of the Cuban crop, if not the entire crop, at a price somewhere in the neighborhood of 6 1/2 cents a pound. We have been shown offers alleged to have been sent by President Menocal of the island of Cuba to the United States Government authorities in which a basic price of this kind was suggested. We have been given to understand

that only the delay caused by the illness of President Wilson and the attending inability of the members of the United States Equalization Board were responsible for the falling through of the negotiations, and that the failure of the board to accept President Menocal's fair and generous offer was the sole cause of America's sugar plight. This makes interesting reading, very good political ammunition and sounds great when hurled from the eloquent lips of a stump orator. The trouble with it is that it is not true.

The writer, together with the rest of the great American public and the bulk of the sugar trade in this country, was almost convinced last fall that the above causes were the true ones and that the failure of the Equalization Board was really the main reason why we are paying to-day 24 cents a pound for granulated sugar instead of 10 cents, as we did during the war. It seems, however, that this opinion has never had a solid basis of fact.

In the course of a series of interviews with some of the leading Cuban sugar planters in April the writer discovered to his surprise that the offer of President Menocal had been made without the authorization of a majority of the Cuban planters. There were some, it is true, who were willing to sell their entire output for the guaranteed sum of 6 1/2 cents a pound f. o. b. Cuban ports, but these few planters were in need of immediate funds, so that the offer of the Cuban President seemed a very acceptable one to their depleted treasuries.

Other planters of greater business ability and broader vision saw the impending sugar shortage and realized that now was the time when they could shake off the the galling yoke which had been laid on their necks during the past few decades by the great American sugar refining interests. As one of the planters expressed it:

"Up to this year the big refiners used to come down to us, or send a representative, with a club in one hand and a checkbook in the other. If we didn't accept whatever they considered right to pay us for our crop we got a wallop over the head! And we naturally preferred a substantial check to a knock-out blow." And then he smiled and continued: "Now we've got a gatling gun in one hand and sugar bags behind us; and we can afford to tell our old friends in Wall Street to either pay us what we think right or go hang! And we weren't a bit afraid of the old club this time, if they had brought it with them. But they didn't bring it. They brought smooth talk and soft soap. Well, with all Europe sending agents over to us with unlimited credit to their accounts, and Japan buying up all the sugar it can get in the far East, we don't care a continental if the refiners don't buy a ton from us this spring. We could sell double the amount we can raise outside of America."

## Turning the Tables.

"But don't you think that is rather tough on the people here in the United States?" the writer ventured to suggest.

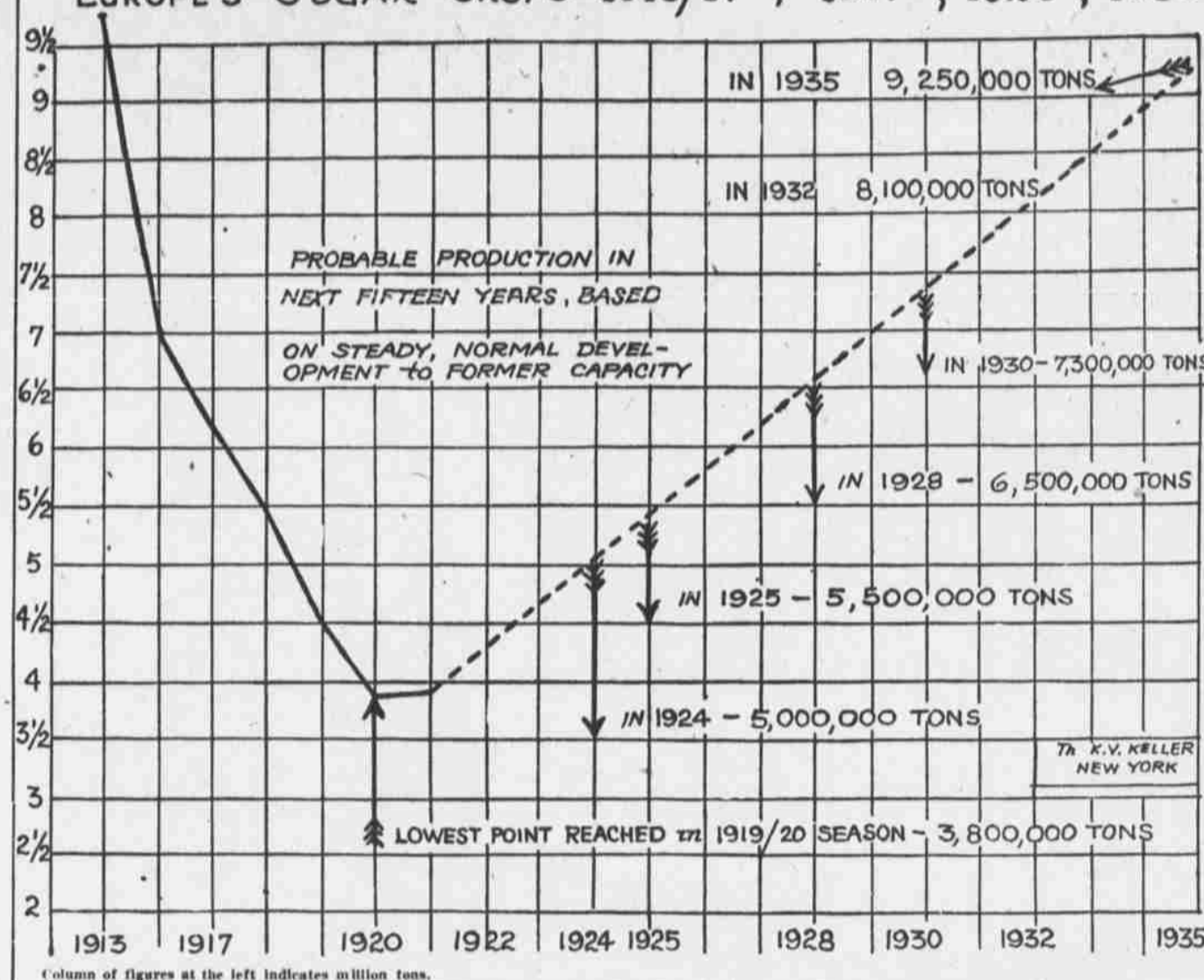
"Well, and if it is! Do you think that worries us? Your manufacturers of equipment, of chemicals, of supplies, of coal, oil, &c., have been gouging us to a fare thee well for years. It's our turn now to do a little gouging on our own account. We cannot expect to come out even, because your manufacturers and refiners have been clubbing us into submission for so many years that it will take a lifetime to even up the account. Your big refiners used to come down to Cuba and say: 'We'll give you \$30 a ton for your sugar this year; take it or leave it!' And we used to look over the world's sugar market situation and discovered that Europe was being fairly well supplied by Germany, Austria and Russia—with a million or so tons ready to be shipped abroad; Asia being more than well supplied by Java, and South America being taken care of by Argentina and Brazil, and we had to bow our heads in thanks to the great and generous refiners who were willing to pay us the magnificent sum of \$30 a ton—one and a half cents a pound!"

"Our laborers were going in rags; our fields had to ration for twenty years and more because no one had the ambition or incentive to do any extra planting at high costs, with such low prices for the crop—in short, the sugar business was going down the hill as fast as a candle! And if we refused the offer of the refiners we found that our banks in Cuba were strangely reluctant to loan us money; that manufacturers of equipment were extremely busy on some other job and that we met cold shoulders on every side. Even the worm will turn when you trample on it too hard, and the Cuban planters have a sort of hazy notion that now is the time to do their turning; such a remarkable chance will never come again!"

"Do you anticipate any lasting results from the present high sugar prices for Cuba—I mean aside from the great sums of cash coming into the country?"

"We do! And it is not by any means an unmitigated blessing. There is going to be an era of high prices in Cuba, which has already gotten under way and which is destined to last for some time. The laborers are making so much money just now that

EUROPE'S SUGAR CROPS 1913/14 ; 1917 ; 1920 ; 1935



Column of figures at the left indicates million tons.

they are developing the most extravagant and spendthrift habits. Money seems to have lost all relative value. Articles are jumping in price over night; storekeepers and their clerks are making more money than they ever saw before; employees in the sugar companies get bonuses and salaries higher than they ever dreamed of, and still are clamoring for more money because they read in the papers of the extraordinary prices which raw sugar brings at this time in the world's markets."

"That seems nothing to worry over!" The writer endeavored to draw out the speaker's opinion by this interruption. "High prices bring a lot of money into the country and among the people and make them more pleasant and satisfied with their lot."

"You are wrong!" the planter exclaimed. "There isn't a bit of happiness and gratitude among the people. On the contrary, they kick worse than ever over the high prices charged in the stores, forgetting entirely the much higher wages they themselves charge. And once a man has been paid a weekly wage envelope containing \$35 to \$50—as the majority of the sugar workmen now get—he will rather loaf than work for a mere \$12 or \$15 as in the days gone by. "There was a time in Cuba and Porto Rico when field workers got 60 to 75 cents for a day's work and were able to live on it. To-day they get \$3 a day for ordinary field labor and still are grumbling. Then there is another point to be remembered: The product which is turned out at the present time in some factories at the present high rate of wages must be sold and consumed in later years. This means that if a piece of machinery is turned out to-day at present high costs and is shunted from one manufacturer to another until it finds its lasting place in an installation which will be completed three years hence, the buyer of that installation will have to pay for to-day's crazy wage rates!"

## As to Reasonable Rates.

"Even if the crops next two years are bigger and better than ever before, and the men should submit to a slight reduction in their wages, I do not think that prices in general can ever return to anything like pre-war figures, because the ramifications in the sugar industry are too great and prices are dependent upon too many interwoven factors to readjust themselves without reference to other industries. Just as the price of sugar really did not rise much until the other industries had reached nearly the peak of their rise, so it will be much longer before the sugar industry again comes down to more reasonable figures. At any rate, the figures to-day are reasonable enough!"

"Do you mean that you consider 20 cent raw sugar reasonable?" The writer was surprised at the seeming earnestness of the planter.

"I do not mean exactly 20 cent sugar, but I believe that a price of from 12 to 14 cents is absolutely fair! You must not consider the abnormal price of 1 1/2 cents in the period just preceding the war as a criterion of what sugar should sell for. The conditions were abnormal and the price was abnormal. Large capital was invested in Cuban plantations; the crops were rich and the western world was well supplied with sugar. There are plantations which live from hand to mouth. They must sell the first part of

the output at once to any cash buyer in order to obtain the money necessary to buy the cane from their colonos in the second and third months of the grinding season.

"In January the refiners are offered sugar from all sections of Cuba in such plenty that one planter necessarily outbids the other, dragging the price down to a level at which the raw sugar is actually sold at a loss. Later shipments may command a better price, when the great necessity of immediate cash is no longer pressing the planter. It is then that the refiners can dictate the price at which they will buy, and that was the price which obtained before the war on several occasions in Cuba. It certainly was not a 'fair' price, and the result of it was the comparative neglect into which the Cuban small plantations had fallen at that time."

"When the war started European competition vanished and the Cuban planter had a chance to collect some profit from his plantation after years of losses. How little the majority of the planters realized the situation can be judged from their joy and satisfaction when the 6 cent price was set by the United States Equalization Board. The average planter discovered to his intense pleasure that he no longer had to worry about selling his crop; he no longer had to submit to bullying by powerful interests whose sole business it was to force the price of sugar down to the lowest point possible; he was guaranteed a flat rate for all the sugar he could deliver, without quibbling about payments and terms; he was even given a substantial cash advance payment to enable him to go through the season without difficulties. The relief from the worries of past years was so great that a wave of optimism swept the island."

## What the Planters Protest Now.

"Yes! And now the same planters kick because they were offered an increase of 1 cent for the 1920 crop. Why?" "One cent increase amounted to about 14 1/2 per cent. Everything else in staple articles and in equipment had risen more than 20 per cent, some of the supplies and chemicals more than 30 per cent, and a few even more than 100 per cent. The planters learned to think during the weeks it took the United States Government to decide whether it wanted to buy the crop or not. And during this period of thinking agents came into the island from European Powers and also from American speculators, who called the attention of the planters to the great sugar shortage and tried to make contracts for future delivery at rates which increased gradually from week to week until a frantic scramble for contracts developed in the late fall of 1919.

"Bidding against each other, as in a public auction room, prices on sugar began to soar above all figures which had been considered high heretofore. The amazed planters were swept off their feet, and not a few of them sold their entire crop for 1920 at prices ranging from 8 to 10 cents a pound. When this point had been reached, those more fortunate or more shrewd who had held on to their crops decided to wait still longer, in order to see 'which way the cat would jump.' There was lull in the buying and selling, and in the meantime the sugar shortage in the United States passed all popular expectations."

"A veritable panic began and speculators again invaded Cuba, flashing bigger and bigger rolls of cash and checks in the faces of the surprised planters. Cubans could not understand the situation. They could not or would not realize the enormous world shortage and the tremendous demand for sugar. Their years of bitter experience with the refining interests had taught them caution, and they figured a bird in the hand worth two in the bush. They sold the greater part of their crops to agents and speculators on heavy deposits at time of contracts."

## Outlook for Next Year's Crop.

"The refiners themselves have been caught in the vortex of events and have been locked out of a market which they formerly controlled. It is to-day an open secret that some of the very greatest refining companies have had to accept raw sugars purchased months ago by shrewd speculators, and pay from 6 to 8 cents a pound more than these speculators paid!"

"Do you believe Cuba will raise a much larger crop next year?"

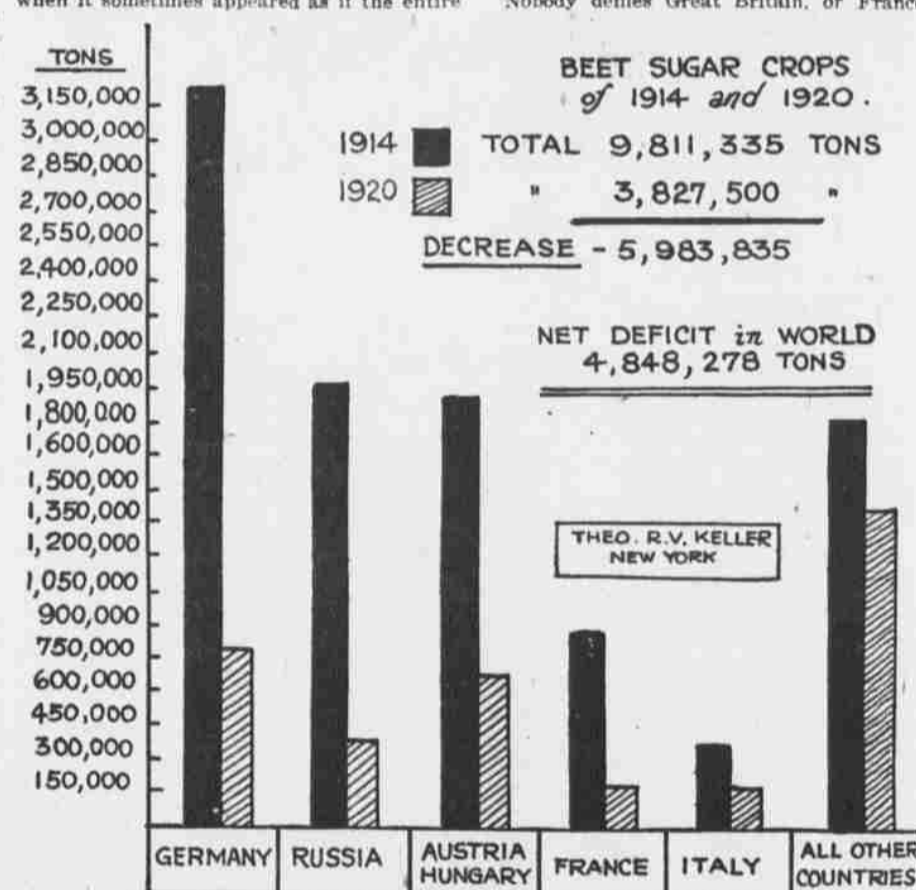
"Frankly, I don't! There are many reasons. One is that everybody is so busy making money from the present crop, and installing additional and new equipment in place of stuff that has outlived its usefulness long ago, that they do not plant additional acreage. The colonos are making so much money from their present holdings

that they are perfectly satisfied. Additional colonos are hard to find, because there is a big demand for labor in Cuba in all kinds of trades and industries and new recruits are few and far between."

"It is my opinion that Cuba will not produce in 1921 as much as the optimistic estimates for 1920 named. That is to say, about 4,500,000 tons."

"And I believe I am telling the truth when I say that every Cuban central has to-day orders and prospects on its books or in sight taking care of their entire output next year. It will be many, many years before Cubans will have to search for buyers for their sugars. It will more likely be putting up a sign at the general offices: 'Prospective buyers of our sugar please form in line at the right with certified checks ready!'"

The attitude of this planter is fairly representative of that of many others with whom I talked. They do not feel as if they were profiteering in the proper sense of the word. True, they were getting more money for their sugar than ever before, and many of them are making profits of 100 per cent, net above all expenses and depreciation. But they honestly believe that they are entitled to such profits to make up for the many lean years between 1890 and 1914, years when it sometimes appeared as if the entire



cane sugar industry was doomed because of the remarkable headway made in Continental Europe with the beet sugar crops.

The Brussels Convention results alone saved the cane sugar industry from disaster, and the abolishment of Government bounties on exported beet sugar gave new hope to the distracted cane planters. It took them many years to gather strength for a real fight with the ever growing beet sugar industry, and the outbreak of the war found the two forces fairly evenly divided. (The world's cane sugar production in 1913-14 was 11,536,537 tons, while the beet sugar output amounted to 9,811,335 tons.)

## World's Output Since the War.

Since the outbreak of the war the cane sugar output of the world has been increased to 12,672,100 tons, a gain of only 1,135,563 tons in six years! In the meantime the beet sugar crop dwindled from 9,811,335 tons to 3,827,500 tons—a loss of practically 6,000,000 tons, leaving a net deficit in the sugar supply of the whole world of 4,850,000 tons. These figures are absolutely reliable and are based on information from the various sugar producing countries received by the writer up to the beginning of May.

The charts herewith should require no additional explanation. They show in a graphic and easily understandable manner the present situation as well as the situation existing in 1913-14.

The chart representing the beet sugar production of Europe in the same two years selected for comparison in the cane sugar industry speaks volumes! No one who is in the least capable of appreciating the significance of production figures can fail to grasp the ominous message expressed in

the drop that took place between 1913-14 and 1919-20. And to give still greater significance to this particular chart the writer has endeavored to construct from indications now visible throughout Europe the probable production curve for the next fifteen years in dotted lines. These continuation lines are based on optimistic views; they are expressive of the hopes which fill the breasts of European nations; they are indicative of the utmost which can be expected from Europe in the next five years.

Can any one fail to realize the critical situation in the world's sugar industry after studying these charts? It is possible that a lot of abusive stump orators and vituperous newspaper reporters can continue to rave about the "gouging by refiners," about "plenty of sugar in sight, if it were only properly distributed!" The ostrich who sticks his head into the sand, and imagines the hunter can't see him, because he can't see the hunter, is a wise old bird compared with the agitators who seek the causes of high sugar prices and of the scarcity of sugar in petty profiteering carried on by the corner grocer or the jobber in Front street, New York.

## America's Real Problem.

The problem facing the American people during the next three or four years, is not so much to hunt out the elusive profiteer as to remedy the shortage; and, of course, an actually existing shortage can be remedied only in two ways: either by increasing the supply or by decreasing the consumption. It is to be hoped that the American people will do both, and the writer would like to offer a few suggestions by which this might be accomplished without any injury to manufacturers, dealers and consumers of granulated sugar. These suggestions are:

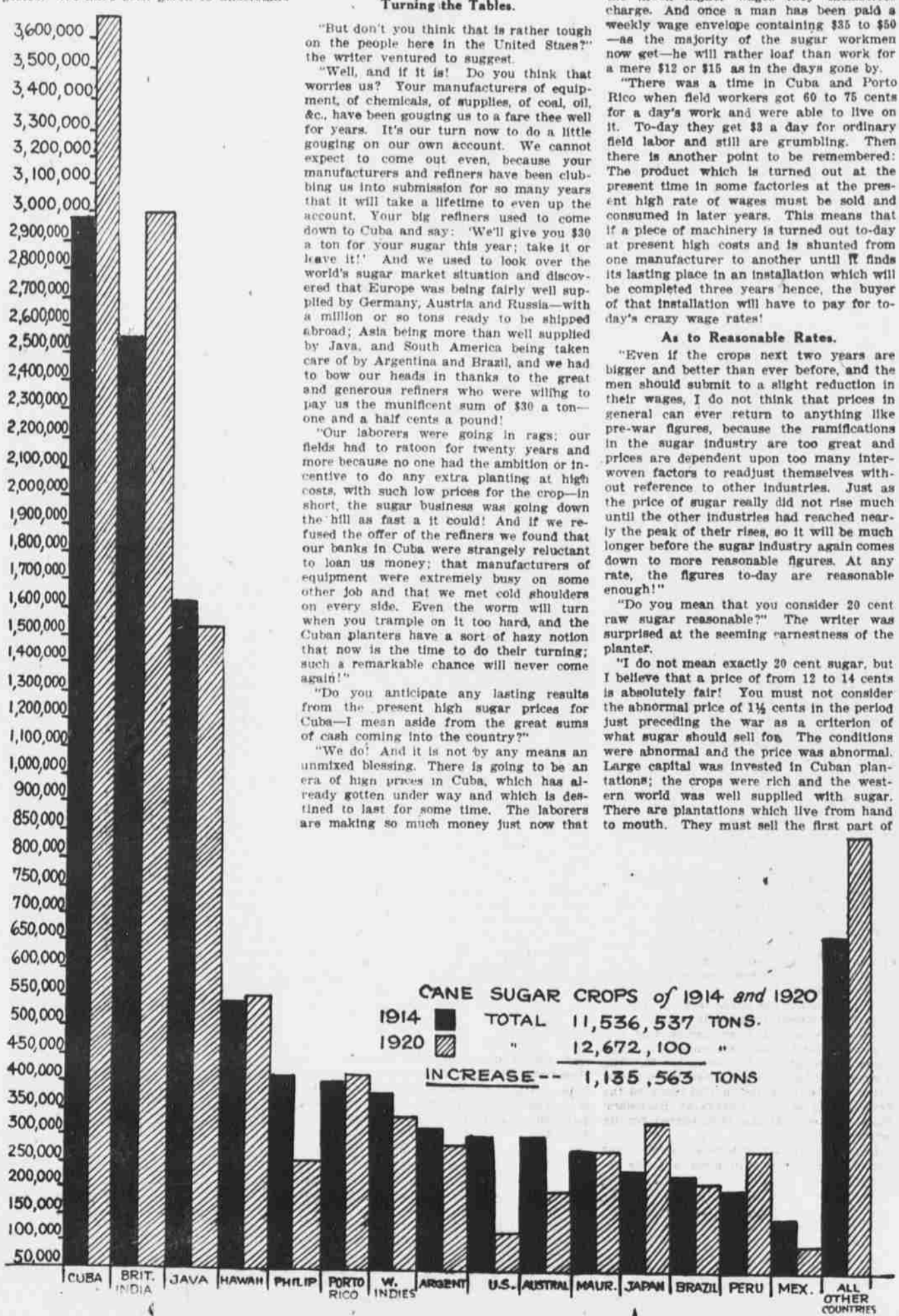
1. A Government order forbidding the use of refined granulated sugar in the manufacture of candies, soft drinks, preserves and canned goods of all kinds. It is simply ignorance and prejudice on the part of the manufacturers which demands refined granulated sugar for these purposes. Fully 90 per cent of all refined sugar used for these purposes can be supplanted by clarified syrups, by maltose and other grain syrups, and by bleached molasses.

2. A utilization of sawdust and other wood trimmings for the manufacture of dextrose, according to several patented processes evolved in Europe during the war. These "sawdust" sugars are, of course, not refined granulated crystals of C12 H22 O11; but for many kinds of manufacturing they are just as good as the very finest cane sugar or beet sugar.

3. A strict embargo on all sugar from any American port, whether this sugar is being refined "on toll" or not!

If Great Britain and other European Powers are able to buy Cuban sugar, thereby removing a possible supply from our own tables, these same European Powers should find their own refining establishments and not add insult to injury by having Cuban raw sugar brought to New York and there refined for British consumers. People who watch steamers arriving with thousands of tons of raw sugar, see it refined in Brooklyn or on the other side of the Hudson and then shipped out of the country are apt to be very sarcastic and insulting when they are told that "there is no sugar to be had in New York, and there won't be any for several weeks."

Nobody denies Great Britain, or France.



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